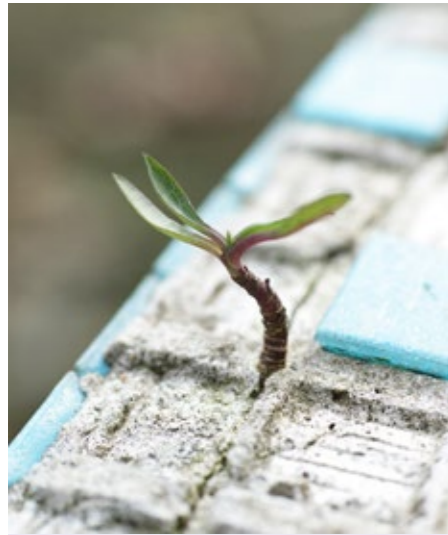


How Will Your Property Business Survive Coronavirus?

Arsh Ellahi



For this month's article, I was asked to comment on how the coronavirus pandemic was going to affect my property business and more importantly, what was I going to do to survive the difficult period ahead.

First of all, I would like to confirm that all the content in this article is my own opinion and is not to be considered as financial advice. Disclaimer done!!!!

Like pretty much everyone who is reading this article, I think it is fair to say that the pandemic has had many worried about their businesses and the safety of their families. I firmly believe the government have done a sterling job in trying to keep the economy afloat (as much as they can).

As outlined in the coronavirus special section on business support in this magazine, there is a whole list of grants/support packages that you, as a property business, can apply for. I have listed a website below that lists every local authority and the funds they have available – you just need to check whether they are applicable to your business type. Since this list was released, I have applied for assistance for my employees, discussed below, as well as Business Rate Relief and Business Support Grants.

Link to website: <https://www.gov.uk/coronavirus/business-support>

Grant funding allocations by local authority

I have been keeping up to date with the news as well as with what other property investors have been doing. As soon as the government announced that mortgage companies were offering mortgage holiday breaks for three months, I was extremely surprised how a lot of property investors reacted. A lot of 'Facebook Investors' started advising that they should start calling their lenders and request their payments to be deferred.

Homeowners and landlords can now apply for a three-month mortgage payment holiday by contacting their lender (see Stephen Fay's comments in the section *What communications should we be having with our tenants and mortgage lenders?* for details). The government's new policy aims to ease the stresses facing borrowers during the coronavirus outbreak. These are also available to BTL landlords whose tenants have been financially affected by the coronavirus. Landlords who take payment holidays are expected to pass on this relief to their tenants.

Just to be 100% clear – you will be paying more in interest. You'll still owe the bank the same capital amount as you do now, but the interest will continue to accrue on this. This means it will take you longer and cost you a little more to clear your mortgage.

When this was released, lots of landlords instantly feared the worst and started to get the ball rolling by contacting their lender without thinking of the long-term consequences. For me, I instantly thought that by offering a three-month rent/mortgage holiday, it would be sending out the wrong behaviour signal to my tenant. By offering them the three-month break, would they then try and cry wolf every time they had a financial set back?

For the record – I appreciate that this period will be both financially and emotionally difficult for many people. When the government set out their support package, which I thought was exceptional, I found myself searching for way to help my tenants (see example below), while also keeping the wheels moving in my property business:



STEP 1 Furloughed employees

Many employers have taken the decision to furlough their employees. Ultimately, the employees have agreed to drop a 20% reduction in salary (initially for three months).

As a landlord, we have had to look at tenants who have been put on this scheme and assess how we can help. My initial reaction was to slightly reduce the rent by 20% for three months, following their drop in income.

An example would be – if the tenant was renting a room for £500pcm, providing they can show proof of their employer putting them on the furlough scheme, we would reduce the rent by 20% – meaning their rent for the following three months would be £400pcm.

“By doing this, we would continue to keep the communication and rapport with the tenant open. It also allows us to maintain an occupied room, as opposed to finding the tenant panicking and ultimately worrying that they may not be able to afford to pay the rent.”

Let's face it, many people are shy about talking about their finances, and no one likes to admit that they are facing financial difficulty. Therefore I would suggest that you bring up the conversation with your tenant first and allow them to open up to you.

If you do this correctly, this could be the start of nice and easy communication with your tenant, who will have found a newly formed respect for you for your

If you still have a question you would like me to answer in next month's article, please email feel free to me: arsh@arshellahi.com and I'll aim to answer as many as I can over the coming months.

Universal Credit



STEP 2

Universal Credit (UC)

What is Universal Credit? Universal Credit is a payment to help with your living costs. It's paid monthly by the government and it replaced LHA/Housing Benefit. UC is a new single benefit run by the DWP, which combines benefits for both in- and out-of-work support, housing and childcare costs. It is very simple to set up and is predominantly done online.

I decided that if a tenant were to contact me to inform me that they were struggling to pay the rent, I would assist them to claim Universal Credit.

Since the coronavirus outbreak, it has been mentioned that over one million people in the UK have applied for UC for assistance. It takes a few weeks for the first payment to come through, and is then paid every month (the same as a working wage).

By assisting my tenants in this way, they would get some help with some money from the government along with council tax and housing costs. And as a landlord, I would have the assurance that the rent (or a large percentage of the rent) would be continued to be paid.

We should think about businesses who have been forced not to trade, ie cafes, restaurants and bars, etc who were forced to shut a result of this pandemic.

For those who have serviced accommodation units, I would seriously suggest letting them on a short-term let as quickly as possible to avoid large void periods.

I know quite a few SA providers have been able to utilise their units as isolation units and offer them to key workers – which is a fantastic way of giving back to members of the NHS on the front line.

I should mention that coronavirus has allowed me to slow down and take a step

It is worth noting that you should check the rates that UC will pay towards the housing costs – these can be found online by visiting: <https://www.gov.uk/benefits-calculators>

Tip: The tenant will have access to the UC portal, which gives them all the details about when they will get paid, how much and how that money has been allocated, eg £500 for housing, £100 council tax, £300 living allowance etc.

When we assist the tenant to sign up for UC, we also ask them if they are happy to share their sign-in details with us and ask them to sign a letter confirming that they're allowing us to log in and keep a check on their application. We also get to know the dates of payment for us to diarise.

STEP 3

My personal advice

Don't panic! I know that sounds hard to believe right now, but guess what? Every single person in the UK is in the same boat as you right now. As landlords, we are quite lucky – if we follow the steps above, we will still have some income, albeit it may be slightly less than other months, but we will survive.

back to realise what is important in life. For far too long, I have been busy chasing property deals and new businesses. These weeks in lockdown have allowed me to surround myself with my children, who have taught me that the things they really want are free – walks out, long bike rides and time with their dad.

At present, there isn't a great deal we can do with the situation we are faced with, so I have taken the approach to take every day as it comes and enjoy the time I have with my daughters.

I hope you all remain safe and healthy. Please stay indoors so we can protect others.

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